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IN THE

Supreme Court of the United States

October Term, 1962.
No. 124

ATLAS SCRAPER AND ENGINEERING CO.,

vs.

HARRY A. PURSCHE.

Brief for Respondent in Opposition to Petition for Writ of Certiorari.

(Filed May 16, 1962)

This case comes before this Court on a Petition by Atlas Scraper and Engineering Co., defendants below, for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit.

Opinions Below.

The citation to the Circuit Court Opinion is 300 F. 2d 467. The findings of fact and conclusions of law of the District Court relating to the unfair competition count are reproduced in the Appendix hereto.

Jurisdiction.

The jurisdictional requisites are adequately set forth in the Petition (Beginning printed page 2).

The Questions Presented.

The constitutional question set forth as item (c) on page 3 of the Petition need not be decided because this case can be disposed of on other grounds.

Statement of the Case.

The "Statement of the Case" set forth in the Petition, pages 4, 5, omits important facts bearing on the unfair competition claim. Respondent Harry A. Pursche is a farmer and raised truck garden crops on a large-scale basis in Southern California [R. 69]. He personally constructed five two-way plows of different size and used them himself [R. 70, 71] in his farming operations [R. 70-72]. He made all five plows available to petitioner for measurement and study; prior to that time Petitioner had never built a two-way plow, nor any kind of plow [R. 74]. Petitioner then began to build two-way plows under license [R. 74] using confidential information acquired from Respondent (Pet. p. 35). Later Petitioner cancelled the license and continued to manufacture and sell the same devices without payment of royalties [R. 75]. Respondent then sued for patent infringement and unfair competition [R. 29-32].

Reasons for Denying the Writ.

1. The unfair competition claim in this case meets either the liberal test or the narrow test for joinder with the patent infringement claim, under 28 U.S.C. §1338-(b). The decisions of the Second Circuit and other Circuits now follow the liberal test for joinder, requiring only a considerable overlap in their factual basis and that a substantial amount of the evidence of one claim be relevant to the other. The Seventh Circuit rule, possibly followed in the Eighth Circuit, is narrower, requiring that both the federal and non-federal causes rest on substantially identical facts. Under either view, the facts of the present unfair competition claim meet the test for joinder with the patent infringement claim. Accordingly, this case does not present the issue to which the Petition is directed.

2. The constitutional issue presented in question (c) on page 3 of the Petition need not be decided in order to dispose of this case, since the present unfair competition claim meets the narrow test for joinder, as well as the more liberal test, and no challenge to the constitutionality of the narrow test is raised by the Petition.

ARGUMENT.

1. Decisions Prior to the Enactment of 28 U. S. C. §1338(b).

Almost thirty years ago this Court, in *Hurn v. Oursler* (1933), 289 U. S. 238, 53 S. Ct. 380, 77 L. Ed. 1148, decided that a Federal District Court has pendent jurisdiction over a non-Federal claim

> ". . . where two distinct grounds in support of a single cause of action are alleged, one only of which presents a federal question. . . . The bill alleges the violation of a single right, namely, the right to protection of a copyrighted play. And it is this violation which constitutes the cause of action. Indeed, the claims of infringement and unfair competition so precisely rest upon identical facts as to be little more than the equivalent of different epithets to characterize the same group of circumstances. . . ."

Five years later this Court decided *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.* (1938), 305 U. S. 315, 59 S. Ct. 191, 83 L. Ed. 195, the only other decision of this Court directly in point. In the latter case, the Court said, at page 325,

> ". . . Once properly obtained, jurisdiction of the one cause of action, the alleged infringement of the trade-mark, persists to deal with all grounds supporting it, including unfair competition with the marked article. The cause of action is the interference with the exclusive right to use the mark 'Nu-Enamel' . . . the facts supporting a suit for infringement and one for unfair competition are substantially the same. . . ."

2. The Enactment of 28 U. S. C. §1338(b).

The enactment of 28 U.S.C. §1338(b) in 1948 is thoroughly consistent with *Hurn v. Oursler*, but as pointed out by Professor Moore[1]

> ". . . goes much further than the facts required the Court to go in that case. Under §1338(b) there is jurisdiction of the claim of unfair competition when the claim under the copyright, patent or federal trade-mark law is substantial and related to the claim of unfair competition. While some courts have insisted that the latter claim of unfair competition involve essentially identical facts this view is too restricted. It suffices if there is a real factual or legal relation. If this broad and fair construction of the subsection is applied, it will carry out the revisers' intention 'to avoid "piecemeal" litigation;' and federal jurisdiction to this limited extent has been broadened."

The first draft of the new statute §1338(b) permitted a joinder "whenever there is a single cause of action" (Revision of Judicial Code, Preliminary Draft, October 30, 1955, §1360). The first draft was rejected as too limited and the present form substituted therefor. See footnote 6 to Judge Clark's dissent in *Kleinman v. Betty Dain Creations*, 189 F. 2d 546, 551. Judge Clark stated that the legislative history of 28 U.S.C. §1338(b), as summarized in the footnote,

> ". . . shows how completely it was designed to change the rule following in this circuit. And we have held that it did: Cutting Room Appliances Corp. v. Empire Cutting Machine Co., 2 Cir., 186 F. 2d 997, overruling Derman v. Stor-Aid, Inc., 2 Cir., 141 F. 2d 580. . . ."

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[1]Moore's Federal Practice (2d Ed. 1961), Vol. 1, pp. 658, 659.

3. Decisions Following Enactment of 28 U. S. C. §1338(b).

No decision of this Court which interprets 28 U.S.C. §1338(b) has been located.

A. Second Circuit:

Since the enactment of §1338(b), the Second Circuit Decisions have reversed an earlier trend and now follow the more liberal rule advocated by Judge Clark, as shown by the following cases:

In *Telechron, Inc., et al. v. Parissi* (2 ir. 1952), 197 F. 2d 757, the Court said

> ". . . in reality three claims are averred as to which the plaintiffs sought declarations of rights and injunctive relief: (1) a claim that the patents are invalid and have not been infringed; (2) a claim that the alleged inventions were not disclosed to the plaintiffs in confidence; (3) a claim that the alleged inventions were not disclosed subject to any understanding, express or implied, that compensation would be paid therefor to defendant. The second and third claims involve common law rights and, since diversity of citizenship is lacking, jurisdiction must depend upon the applicability of 28 U.S.C.A. §1338(b). This court has recently considered the problem of dependent jurisdiction in Kleinman v. Betty Dain Creations, 2 Cir., 189 F. 2d 546 and Schreyer v. Casco Products Corp., 2 Cir., 190 F. 2d 921; certiorari denied 342 U. S. 913, 72 S. Ct. 360. . . ."
>
> ". . . Whether the obligation is a fictional contract implied in law or a consensual contract not to use confidential information to invade the plain-

> tiff's market of a patented device to which the information related, the wrong done is the same, and the claim asserting it would seem as truly a 'claim of unfair competition' in the one case as the other. In our opinion the Betty Dain case was in substance overruled by the Schreyer decision, since the attempted distinction between them cannot logically be supported. We follow the later case and hold that the district court had dependent jurisdiction of both non-patent claims."

In *Maternally Yours, Inc. v. Your Maternity Shop, Inc.* (2 Cir. 1956), 234 F. 2d 538, there was a claim of trademark infringement joined with unfair competition. The unfair competition claim arose prior to the trademark registration. The Court said at page 543,

> ". . . The purpose of §1338(b) as stated by the Reviser was 'to avoid "piecemeal" litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court.' Reviser's Note to 28 U.S.C.A. §1338(b), 1948 Revision of Judicial Code. This purpose would be frustrated, were we to accept defendant's contention that the two claims must have exact chronological correspondence and identity." The Court said ". . . The close relation of the two claims is demonstrated by this considerable overlap in their factual basis and by the additional fact that nearly all the evidence received at the trial, other than that concerned with plaintiff's application and registration of 'Maternally Yours' was relevant to both claims. . . ."

"Prior to the enactment of 28 U.S.C. §1338(b), this Circuit took a narrow and restrictive view of the pendent jurisdiction of federal district courts over non-federal claims joined with substantial federal claims. Zalkind v. Scheinman, 2 Cir., 1943, 139 F. 2d 895, certiorari denied 322 U. S. 738, 64 S. Ct. 1055, 88 L. Ed. 1572; Treasure Imports v. Henry Amdur & Sons, 2 Cir., 1942, 127 F. 2d 3; Musher Foundation v. Alba Trading Co., 2 Cir., 1942, 127 F. 2d 9. Virtual identity of proof of the federal and non-federal claim was required. This view persisted even after the doctrine of Hurn v. Oursler, 1933, 289 U. S. 238, 53 S. Ct. 586, 77 L. Ed. 1148, was included in the 1948 Judicial Code at 28 U.S.C.A. §1338(b). See Kleinman v. Betty Dain Creations, 2 Cir., 1951, 189 F. 2d 546. However, in Telechron, Inc., v. Parissi, 2 Cir., 1952, 197 F. 2d 757, it was stated that Schreyer v. Casco Products Corp., 2 Cir., 1951, 190 F. 2d 921, certiorari denied 342 U. S. 913, 72 S. Ct. 360, 96 L. Ed. 683, had overruled the Kleinman case supra. *Thus we are now committed to a broader view of pendent jurisdiction, at least in those cases involving a substantial federal question under the patent, copyright or trade-mark laws within 28 U.S.C.A. §1338(b).*" (Emphasis added).

The District Court decision in *Nikanov v. Simon & Schuster* (D.C.S.D. New York 1956), 144 Fed. Supp. 375, held that under §1338(b) a claim of unfair competition for wrongfully incorporating part of plaintiff's uncopyrighted manuscript was held properly joined to a claim for copyright infringement of plaintiff's pictorial

language chart. On Appeal, 246 F. 2d 501 at page 504, the Court of Appeals for the Second Circuit said

> ". . . The award of damages was based wholly on the plaintiff's cause of action for copyright infringement. We have concluded that on that phase of the case the district court's decision was correct. Whether or not the court had pendent jurisdiction of the claim of unfair competition with respect to the plaintiff's uncopyrighted manuscript is a question we therefore need not pursue. . . ."

In a footnote, the Appellate Court pointed out the similarity of the facts to those of *Hurn v. Oursler, supra*, and said

> ". . . In that case the plaintiff sued for infringement of the copyright on a play, for unfair competition with the copyrighted play, and for unfair competition with a revised, uncopyrighted version of the same play. . . ."

The Appellate Court said in effect that if the rule of *Hurn v. Oursler* is strictly applied the District Court did not have jurisdiction over the unfair competition count, but if *Hurn v. Oursler* is "broadly construed to include claims which have 'a real factual or legal relation' to the copyright claim in order to 'carry out the revisers intention "to avoid 'piecemeal' litigation"' . . ." the District Court did have jurisdiction.

B. Sixth Circuit:

Some Sixth Circuit cases also follow the liberal construction of §1338(b). *Lyon v. Quality Courts United* (6 Cir. 1957), 249 F. 2d 790. Defendants used a colorable imitation of plaintiff's registered collective service marks, resulting in confusion as to the

source of origin of the services offered. The marks were registered under the Lanham Act "for providing lodging in tourist courts". Defendant used a similar sign and used the name "Quality Courts" on stationery, business cards, match covers, and other advertising material. Defendant was found to be guilty of unfair competition in representing that its motel was a member of the plaintiff corporation, by appropriating the name Quality Courts United, Inc. The Court held that the claim of unfair competition "was closely related to the trade-mark claim" and that the federal court therefore had jurisdiction.

The liberal construction was also followed in *The Pure Oil Company v. Paragon Oil Company*, 117 USPQ 321, D.C.N.D. Ohio, E. Div. (1958). On the question of jurisdiction, the Court said at page 322

> ". . . . Plaintiff asserts a claim of infringement of its registered trademarks—five in number. As shown by the evidence, this is a substantial claim, and this Court has jurisdiction to determine it; and if the claim of infringement be decided adversely to the plaintiff, this Court may retain jurisdiction and decide the related question of unfair competition."

However, another District Court case in Ohio, *Preformed Line Products Co. v. Fanner Mfg. Co.* (D.C.N.D. Ohio, E. Div. 1960), 124 USPQ 288, refused to follow the modern Second Circuit rule as set forth in *Maternally Yours v. Maternity Shop, Inc., supra*, and instead followed the narrower test set forth in *Hook v. Hook & Ackerman* (3 Cir. 1956), 233 F. 2d 180, which refused joinder of the claim for infringe-

ment of the patented boiler construction with the unfair competition claim relating to confusion of outward appearance and confusion of name, because the latter did not merely add ". . . a second ground of recovery from the same facts. . . .".

A very recent Sixth Circuit decision, *Muskegon Piston Ring Company v. Olsen et al.*, ... F. 2d ....., 134 USPQ 471, CA 6, decided August 17, 1962, refused jurisdiction under §1338(b) over a claim for unfair competition, which consisted of ". . . . disparagement of plaintiff's right to make and sell piston rings embodying the invention disclosed in plaintiff's patent. . . .", because the majority found that no question of patent infringement or validity was presented in the declaratory judgment action. Judge O'Sullivan dissented.

It is believed fair to state that some, but not all, of the recent Sixth Circuit decisions interpreting §1338(b) follow the modern liberal rule of the Second Circuit.

It is to be noted that the Sixth Circuit cases cited on page 7 of the Petition for a Writ of Certiorari do not relate to patent, trademarks, copyrights, or unfair competition. Thus, *American Fidelity & Cas. Co. v. Owensboro Mining Co.* (6 Cir. 1955), 222 F. 2d 109, was an action by an insurer on a personal injury case. *United Mine Workers of America v. Meadow Creek Coal Company* (6 Cir. 1959), 263 F. 2d 52, was a secondary boycott case. *Dann v. Studebaker-Packard Corporation* (6 Cir. 1961), 288 F. 2d 201 involved a stockholder's suit against the corporation for wasting of assets.

C. Ninth Circuit:

The decisions in the Ninth Circuit also apply a liberal construction to §1338(b). Thus, in *Ross-Whitney Corp. v. Smith Kline & French Lab.* (9 Cir. 1953), 207 F. 2d 190, the Court said at page 193,

> ". . . The suit for unfair competition is also properly before the District Court for several reasons, First, since there is an allegation of infringement of SKF's trade-mark Dexedrine before the District Court, Title 28 U.S.C.A. §1338(b) gives the court jurisdiction to determine at the same time the substantial and related claim by SKF that appellants are guilty of unfair competition in copying the appearance and name of SKF's tablet. . . ."

Also, in *Ramirez & Ferraud Chili Co. v. Las Palmas Food Company* (D.C.S.D. Cal. 1956), 146 Fed. Supp. 594, affirmed per curiam 245 F. 2d 874 (1957), the Court held that the claim for infringement of a registered trademark and a claim for unfair competition were properly joined, even though many of the acts constituting unfair competition took place in Mexico. The Court said at page 603,

> ". . . Pendent jurisdiction under §1338(b) is properly invoked therefore whenever necessary to sustain federal jurisdiction of a cause of action for unfair competition arising under state law, here the law of California. . . ."

Also, in *Falcon Products v. Hollow Rod Sales & Service Co.* (D.C.S.D. Cal. 1955), 135 Fed. Supp. 91, 93, Judge Jertberg held that the Court had jurisdiction under §1338(b) of a count for unfair competition joined with a count for patent infringement, where the alleged unfair competition comprised improper use of

confidential information in manufacturing the alleged infringing device. The Court said that the count for patent infringement and the count for unfair competition ". . . have a common background of basic facts and that substantially the same evidence will apply to both . . . .", citing *Landstrom v. Thorpe*, 8 Cir., *infra*.

The earlier Ninth Circuit case of *Dubil v. Rayford Camp & Co.* (9 Cir. 1950), 184 F. 2d 899, should not be regarded as an exception to the liberal rule now followed in the Ninth Circuit. In that case the patent contained only method claims and the claim of unfair competition was based on improper use of plaintiff's California state-registered trademark. The Court held the patent invalid for fraud upon the Patent Office. No mention of §1338(b) appears in the decision. The Court found that the source of unfair competition was completely separable from the patent aspects of the case.

D. Fourth Circuit:

The Fourth Circuit also follows the liberal construction rule. In *Carter Products v. Colgate-Palmolive Company* (4 Cir. 1955), 130 Fed. Supp. 557, affirmed 230 F. 2d 855, the Court held that it had jurisdiction under §1338(b) of an unfair competition count for wrongful appropriation of trade secrets relating to a shaving cream composition, joined with a suit for patent infringement of the same shaving cream composition. The Court said at page 571:

> ". . . In the present case the claim of unfair competition is directly joined with the claim of infringement of the Spitzer patent . . . .", although the unfair competition took place before the

patent issued. The Court quoted from Floeltke v. C. M. Kemp Mfg. Co., 4 Cir. (1935), 80 F. 2d 912, 922, " ". . . The general rule, of course, is that the monopoly of a patent which entitles a patentee to damages for infringement commences only when the patent is granted; but where, in advance of the granting of a patent, an invention is disclosed to one who, in breach of the confidence thus reposed, manufactures and sells articles embodying the invention, such person should be held liable for the profits and damages resulting therefrom, not under the patent statutes, but upon the principle that equity will not permit one to unjustly enrich himself at the expense of another. . . ."

E. First Circuit:

The only First Circuit case located by respondent interpreting § 1338(b) is *Judson Dunaway Corporation v. Hygienic Products Co.* (1 Cir. 1949), 178 F. 2d 461. In that case, plaintiff sued for infringement of registered trademarks on "Sani-Flush" and for unfair competition comprising advertising using a pictorial representation similar to that used by plaintiff. The Court said, at page 463:

". . . Federal jurisdiction over both causes of action under 28 U.S.C.A. § 1338(a) and (b) and under its predecessor statute and the rule of Hurn v. Oursler, 289 U.S. 238, 53 S.Ct. 586, 77 L.Ed. 1148, is clear. Moreover the facts necessary to establish federal jurisdiction on the ground of diversity of citizenship and amount in controversy are conceded. Our jurisdiction over these appeals under 28 U.S.C.A. § 1291 is obvious. . . ."

F. Third Circuit:

In the recent Third Circuit case: *O'Brien v. Westinghouse Electric Corporation* (3 Cir. 1961), 293 F. 2d 1, plaintiff sued for patent infringement of a method of making split-tongsten-carbide dies and for unfair competition based on an alleged confidential disclosure. The Appellate Court held, on the merits, that the unfair competition charge had not been proved, and that the patent was invalid because of prior public use, but the Court also held that it had jurisdiction of the unfair competition count under § 1338(b). The Court said at page 12.

> "... A related claim as used in the statute refers to one which may be proved by substantially the same facts. Maternally Yours, Inc. v. Your Maternity Shop, 2 Cir. 1956, 234 F. 2d 538; American Security Co. v. Shatterproof Glass Corp., supra; Bullock v. Sears, Roebuck Co., D.C.N.D.N.Y., 1956, 142 F. Supp. 646; Falcon Products & Hollow Rod Sales & Service Co., D.C.S.D.Cal. 1955, 135 F. Supp. 91. Virtual identity of proof of the federal and non-federal claims is not required. Maternally Yours, Inc. v. Your Maternity Shop, supra; American Security Co. v. Shatterproof Glass Corp., supra. The fact that the claims for unfair competition arose prior to the claim for patent infringement does not make the former unrelated to the latter. Darsyn Laboratories v. Lonox Laboratories, D.C.D.N.J. 1954, 120 F. Supp. 42, affirmed 3 Cir., 1954, 217 F. 2d 648. Difference in time was not regarded as crucial in determining whether a claim was related under § 1338(b), in Maternally Yours, Inc. v. Your Maternity Shop, supra.

"In Falcon Products v. Hollow Rod Sales & Service Co., supra, the claim for unfair competition under § 1338(b) was based on the use of confidential information disclosed three years prior to the issuance of a patent. Moreover, as was pointed out in Darsyn Laboratories v. Lenox Laboratories, supra, a claim for unfair competition based on acquisition and conversion of a trade secret could only arise prior to the issuance of a patent. After the issuance of the patent such a claim for unfair competition would be inconsistent since the grant of the patent is a public disclosure not only of the process defined in the claims but also of any trade secrets described in the specifications.

"Aside from the issue of chronological identity it is clear that a claim for unfair competition based on the misappropriation of a novel idea given in confidence is related to a claim for patent infringement under 28 U.S.C.A. § 1338(b). Schreyer v. Casco Products Corp., supra; Telechron, Inc. v. Parissi, 2 Cir., 1952, 197 F. 2d 757; Kleinman v. Betty Dain Creations, 2 Cir., 1951, 189 F. 2d 546, 549 (Dissent by Judge Clark). We therefore disagree with the ruling of the trial court that because the two claims involved different periods of time the claim for 'unfair competition' is not related to the claim for patent infringement within the requirements of § 1338(b). . . ."

The Court also said in a footnote, page 13:

"Westinghouse cites several cases from the Seventh Circuit which appear to hold that chronological identity is required under 28 U.S.C.A. § 1338(b). They are Powder Power Tool Corp. v. Powder

Actuated Tool Co., 7 Cir., 1956, 230 F. 2d 409, 413; Strey v. Devine's, Inc., 7 Cir., 1954, 217 F. 2d 187, 189; Enger-Kress Co. v. Amity Leather Products Co., D.C.E.D.Wis. 1955, 18 F.R.D. 347, 348; Hopkins v. Waco Products, Inc., D.C.N.D. Ill. 1952, 107 F. Supp. 885, 888, affirmed 7 Cir. 1953, 205 F. 2d 221. To the extent that these cases are contrary to our holding here, we disagree with them."

G. Fifth Circuit:

The only Fifth Circuit case located by respondent construing § 1338(b) is *Royal Lace Paper Works v. Pest-Guard Products* (5 Cir. 1957), 240 F. 2d 814. In that suit, plaintiff attempted to join a claim for infringement of an unregistered trademark with a claim for unfair competition under § 1338(b). The Court held that neither the Lanham Act 15 U.S.C.A. § 1051-1127 nor § 1338(a) of Title 28 conferred jurisdiction over the unregistered trademark, and that therefore the claim for unfair competition under § 1338(b) was not within the jurisdiction of the Court. The Court said at page 818, referring to § 1338(b):

> ". . . Looked at independently of the decisions cited and relied on by the parties and construed, as such a statute ought to be, as a consistent whole, we find no language in it in terms conferring jurisdiction as to claims dealing with unregistered trade marks or with unfair competition. Specifically concerned, as it is, with registered trade marks, it would, we think, be to rewrite instead of to construe the statute if we should read it as including within its scope unregistered trade marks or unfair competition generally.

"Looking at the statute in the light of the history of federal jurisdiction over trade marks and unfair competition, culminating in the Oursler case and Sec. 1338(b), we think it would require much stronger and more definite assertion of jurisdiction than appears in it to construe it as throwing the doors of the federal courts wide open to any litigation over unregistered trade marks and unfair competition upon the mere claim that the claimed wrongs affect interstate commerce. . . ."

H. Eighth Circuit:

The Eighth Circuit case, *Landstrom v. Thorpe* (8 Cir. 1951), 189 F. 2d 46; cited in the decision of the Ninth Circuit Court of Appeals in the *Pursche v. Atlas* case, here under consideration, was a suit for wrongful registration of a trademark and for unfair competition based upon disparagement of title. The Court said at page 51:

". . . The claim for damages for unfair competition could be asserted in the same action, however, under §1338(b), supra, provided it were 'joined with a substantial and related claim under the * * * trade-mark laws.' This is true because the claim for damages for unfair competition is a common law cause of action and not a federal cause. For such a claim to be 'related' to a case arising under the trade-mark law within the meaning of the statute 'it must appear that both federal and non-federal causes [of action] rest upon substantially identical facts.' French Renovating Co. v. Ray Renovating Co., 6 Cir., 170 F. 2d 945, 947; Hurn v. Oursler, 289 U.S. 238, 248, 53 S.Ct. 586, 77 L. Ed., 1148; Armstrong Paint & Varnish Works

v. Nu-Enamel Corp., 305 U.S. 315, 325, 59 S.Ct. 191, 83 L.Ed. 195; Kaplan v. Helenhart Novelty Corporation, 2 Cir., 182 F. 2d 311; Hanson v. Triangle Publications, Inc., 8 Cir., 163 F. 2d 74, certiorari denied, 332 U.S. 855, 68 S.Ct. 387, 92 L.Ed. 424.

"Damages resulting from the wrongful registration of the trade-mark and for unfair competition must necessarily be proven by the same evidence. It follows that the district court had jurisdiction of both claims. . . ."

However, Professor Moore[2] points out with respect to this case:

". . . Although the Eighth Circuit in Landstrom v. Thorpe (CA 8th, 1951) 189 F. 2d 46, 51, 26 ALR 2d 1170, cert den (1951) 342 US 819, 72 S.Ct. 37, 96 L. ed. 620, applied the now rejected narrow view of the Second and Sixth Circuits, it upheld pendent jurisdiction of the related unfair competition claim. Because the facts required the court to go no further, the *Landstrom* case should not be regarded as *contra* to the broader, and, we believe better, view of 'related.'"

I. Seventh Circuit:

It appears from the foregoing that the First, Second, Third, Fourth, Fifth, Sixth, and Ninth—and possibly the Eighth—Circuits tend to follow a rule of liberal construction of the word "related" appearing in §1338-(b) and interpret it to require only considerable overlap in the factual basis of the Federal claim and the unfair-

[2]Moore's Federal Practice (2nd Ed. 1961), Vol. 1, p. 659.

competition claim. The following Seventh Circuit case shows that a narrower interpretation is followed and that substantially identical facts supporting both the Federal claim and the unfair competition claim are required for a joinder under §1338(b). In *Powder Power Tool Corp. v. Powder Actuated Tool Co.* (7 Cir. 1956), 230 F. 2d 409, the suit was for infringement of a patent and for unfair competition based on sales by plaintiff of patented goods in violation of a sales agreement between plaintiff and defendant. The Court refused jurisdiction under § 1338(b) and said at page 413:

> ". . . the non-federal claim of unfair competition in the case at bar must be 'related' to the federal claim under the patent laws. It must appear that both the federal and non-federal causes rest upon substantially identical facts. Landstrom v. Thorpe, 8 Cir., 189 F. 2d 46, 26 A.L.R. 2d 1170. See also Hurn v. Oursler, 289 U.S. 238, 248, 53 S. Ct. 586, 77 L. Ed. 1148; French Renovating Co. v. Ray Renovating Co., 6 Cir., 170 F. 2d 945, 947. The acts of which plaintiff complains occurred, if at all, two or three years before the patent in suit issued. Defendants had no previous notice that the patent was pending. We hold that the alleged acts of unfair competition were not related to the patent which was issued several years thereafter. Strey v. Devine's, Inc., 7 Cir., 217 F. 2d 187, 189. . . ."

J. Tenth Circuit:

No decisions interpreting 28 U. S. C. §1338(b) have been located.

4. The Decision of the Appellate Court Below.

The decision of the Appellate Court below (Ninth Circuit) regarding joinder under §1338(b) states that the construction of the phrase "related claim" appearing in this statute is satisfied in some circuits "if there exists a 'considerable overlap in their factual basis' and if a substantial amount of the evidence of one claim be relevant to the other." *Pursche v. Atlas Scraper and Engineering Co.* (9 Cir. 1961), 300 F. 2d 467, 483. Petitioner does not challenge this statement, because it is abundantly clear that the Second Circuit and other Circuits now apply this liberal construction of the phrase "related claim". Instead, Petitioner argues that the *Hurn v. Oursler* doctrine should be strictly construed and strictly applied so that a "related claim" should require that "both the federal and non-federal causes rest on substantially identical facts". As pointed out above, the Seventh Circuit case *Powder Power Tool Corp. v. Powder Actuated Tool Co.* (7 Cir. 1956), 230 F. 2d 409, 413, is the principal authority which endorses this narrow construction of the phrase, "related claim".

5. The Unfair Competition Count in the Present Case.

However, the facts in the present case, *Pursche v. Atlas*, now under consideration, show that the claim of unfair competition was based on the utilization and sale of devices which Petitioner was able to manufacture because of the knowledge it had received from Respondent's confidential disclosures and from the improvements to which Respondent was entitled under the license agreement. The continuation by Petitioner after termination of the license agreement to make use of

Respondent's property in its business constituted unfair competition. Thus, as stated at page 483 of the decision of the Appellate Court below:

> "Atlas argues . . . that the claim in question . . . is not 'related' to the claim for the alleged infringement as required by the statute. The contention advanced is that unfair competition is a tort consisting of the violation of a duty rather than the breach of a consensual agreement; that the gist of Pursche's claim is Atlas' breach of promise contained in the royalty license agreement rather than the omission of any duty with the result that the dependent claim does not constitute the tort of 'unfair competition.' However, *the gravamen of Pursche's dependent claim is not Atlas' breach of contract, but rather the activity that followed the breach, more specifically, the utilization and sale of devices which Atlas was able to manufacture because of the knowledge it had received from Pursche's confidential disclosures and from the improvements to which Pursche was allegedly entitled under the licensing agreement.*" (Emphasis added.)
>
> * * * * *
>
> "Atlas' right to manufacture and sell plows embodying Pursche's inventions and improvements ceased upon the termination of the licensing agreement. If Atlas thereafter continued to make use of Pursche's property in its business, this constituted unfair competition within the meaning of section 1338(b). Schreyer v. Casco Products Corp., 190 F. 2d 921 (2d Cir. 1951). . . ."

In a footnote on page 483 the Appellate Court below said:

> "We do not reach the question whether a breach of contract can also be unfair competition. But see, Telechron, Inc. v. Parissi, 197 F. 2d 757 (2d Cir. 1952); and Judge Clarke's dissenting opinion in Kleinman v. Betty Dain Creations, 189 F. 2d 546 (2d Cir. 1951)."

The Appellate Court below also said, on page 484, ". . . the claims of infringement and unfair competition in the instant case have a common background with much of the evidence being pertinent to both."

The Appellate Court also attached importance to Petitioner's wrongful concealment of information, and at page 484 said:

> ". . . The essence of the claim of unfair competition is Atlas' wrongful concealment of information concerning improvements made to the Pursche plows by its employee, Roy L. Chandler. . . ."

All of the Findings of Fact and Conclusions of Law of the trial court relating to the unfair competition claim are set forth in the Appendix to this brief. Note that Finding 80 refers to the concealment by Petitioner, and that Finding 83 relates to the continued use by Petitioner of the Chandler improvements which belong to Respondent. Conclusions of Law Nos. XXIX, XXX, XXXI, and XXXII relate to the concealment and XXXIII and XXXVI relate to the continued use by Petitioner of the Chandler improvements owned by Respondent.

6. The Unfair Competition Count in the Present Case Meets Both the Broad and the Narrow Test for Joinder With the Patent Infringement Count Under 28 U. S. C. § 1338(b).

As pointed out above, Petitioner concedes that the present unfair competition claim meets the liberal test for joinder which requires only a "considerable overlap" in its factual basis with the patent claim and "if a substantial amount of the evidence of one claim be relevant to the other." It is Respondent's position that the unfair competition claim meets not only this liberal test, but also meets the narrower test now relied upon in the Seventh Circuit. Thus the unfair competition claim, comprising the activity of Petitioner in selling devices which were an infringement of the patents in suit and which utilized knowledge received from Respondent's confidential disclosures and utilized the Chandler improvements to which Respondent was entitled, rested on facts which were "substantially identical" to the facts proving infringement of the patents. The same devices manufactured and sold by Petitioner infringed Respondent's patents and wrongfully used Respondent's confidential information and improvements. Respondent urges that even the narrow joinder test of the Seventh Circuit is substantially met by the facts of the present unfair competition claim.

Respondent urges that the Petition for a Writ of Certiorari be denied because the facts of the present case meet *either* the liberal test now employed by the Second Circuit and other Circuits, as well as the narrower test still employed by the Seventh Circuit. Under either test the outcome is the same; the unfair competition claim is "related" to the substantial patent

claim, and therefore joinder is proper under 28 U.S.C. §1338(b).

The third point under "Questions Presented" raised in the Petition for a Writ of Certiorari reads as follows:

> "(c) Is 28 U.S.C. §1338(b) unconstitutional if the term 'related claim' is interpreted to merely require that there exists a considerable overlap in the factual basis of the federal and non-federal causes and that a substantial amount of the evidence of one claim be relevant to the other?"

Petitioner does not present any argument which would show that a Constitutional issue is raised if the phrase "related claim" in that statute is given the liberal construction now employed in the Second Circuit and other circuits. Petitioner merely quotes from Article III, Section 2, of the Constitution, which states the extent of the Judicial Power. No challenge is made by the Petition as to the constitutionality of the narrow test for joinder under §1338(b). Therefore, if the unfair competition claim rests on substantially identical facts as required by the Seventh Circuit rule strictly applying the *Hurn v. Oursler* doctrine, no constitutional question is raised. As pointed out above, it is Respondent's position that the single wrong—the use by Petitioner of Respondent's property—employs substantially identical facts to prove both the patent infringement claim and the unfair competition claim, and hence the narrow test is met in the present case.

Under these circumstances this Court need not decide any constitutional issue, since the case can be disposed of on the ground that the narrow test for joinder under §1338(b) has been met. As stated by this Court in

Siler v. Louisville & N.R. Co. (1909), 213 U. S. 174, 193, 53 L. Ed. 752, 758:

> "Where a case in this court can be decided without reference to questions arising under the Federal Constitution, that course is usually pursued and is not departed from without important reasons. . . ."

And, as stated by this Court in *Alma Motor Co. v. Timken-Detroit Axle Co.* (1946), 329 U. S. 129, 136, 91 L. Ed. 128, 133:

> "This Court has said repeatedly that it ought not pass on the constitutionality of an act of Congress unless such adjudication is unavoidable. This is true even though the question is properly presented by the record. If two questions are raised, one of non-constitutional and the other of constitutional nature, and a decision of the non-constitutional question would make unnecessary a decision of the constitutional question, the former will be decided. . . ."

Conclusion.

For the foregoing reasons, the Petition for a Writ of Certiorari should be denied.

Respectfully submitted.

LYON & LYON,
LEWIS E. LYON,
JOHN B. YOUNG,
Attorneys for Respondent.

APPENDIX.

Trial Court Findings of Fact.

1.

The party Harry A. Pursche is a citizen and inhabitant of the State of California and resides in the City of Gardena, County of Los Angeles, State of California.

2.

The party Atlas Scraper and Engineering Co. is a California corporation having a regular and established place of business in Bell, in the County of Los Angeles and State of California.

18.

The parties Harry A. Pursche and Atlas Scraper and Engineering Co. entered into a royalty license agreement dated April 3, 1948, Exhibit 7 (Item B-19). Prior to that time, the party Atlas Scraper and Engineering Co. had never built a two-way plow, nor any kind of plow.

19.

The two-way plows constructed by the party Harry A. Pursche and as shown substantially in the drawings of Patents Nos. 2,625,089; 2,625,090; 2,625,091; 2,659,284, and 2,633,786, were made available to the party Atlas Scraper and Engineering Co. for measurement and study of its management and its engineers.

20.

The party Atlas Scraper and Engineering Co. manufactured and sold wheel carriage two-way plows as shown in Exhibits 18 and 19, and tractor mounted two-way plows similar to those shown in Exhibit 22, between April 3, 1948, and July 13 1952, under the royalty

license agreement, Exhibit 7, (Item B-19), and paid royalties to Harry A. Pursche as required by said agreement.

23.

Effective July 13, 1952, the party Atlas Scraper and Engineering Co. cancelled the royalty license agreement Exhibit 7, (Item B-19), in accordance with Paragraph XIII of the agreement, but continued to manufacture and sell devices of the type shown in Exhibits 18, 19 and 22, without further payment of royalties.

57.

Paragraph IX of the license agreement, Exhibit 7, (Item B-19), contains the following provisions:

"Atlas agrees, for itself and for its sub-licensees, to promptly and fully disclose to Pursche any and all inventions, improvements, modifications and betterments made, discovered or acquired by Atlas and/or its sub-licensees relating to the plow construction forming the subject matter of this agreement; and any and all such inventions, improvements, modifications and betterments upon the aforesaid plow construction made during the life of this agreement by or through the efforts of Atlas and/or its sub-licensees, or coming under the control of Atlas or its sub-licensees, shall belong to Pursche whether patentable or not and shall be properly assigned to Pursche by Atlas, free from any payment or compensation therefore, to full extent of the interest of Atlas or its sublicensees, therein, * * *."

58.

On or about November, 1950, Roy L. Chandler entered the employ of the party Atlas Scraper and En-

gineering Co. as an engineer and designer, and left such employment on or about September, 1956.

59.

While said Roy L. Chandler was in the employ of the party Atlas Scraper and Engineering Co. and during the term of the license agreement, Exhibit 7 (Item B-19), he made certain inventions, improvements, modifications, or betterments for two-way plows of the type covered by the said license agreement.

60.

Said inventions, improvements, modifications, and betterments of Roy L. Chandler were made in the course of his employment as an engineer and designer while working on projects assigned to him by management of the party Atlas Scraper and Engineering Co.

61.

One of the inventions, improvements, modifications, or betterments so developed by said Roy L. Chandler was a gear type rollover mechanism for turning the plow carrier on the longitudinal beam. One form of the device is shown in Chandler Patent No. 2,817,241, Exhibit No. 44.

62.

Another form of the gear type rollover mechanism developed in part by Roy L. Chandler is shown in the Chandler and Ogle patent No. 2,830,519, Exhibit AR.

63.

Another invention, improvement, modification, or betterment developed by said Roy L. Chandler during the term of the license agreement, Exhibit 7 (Item

B-19), was a butterfly tail wheel device shown in Exhibits 33 and 51.

64.

Said butterfly tail wheel device was reduced to practice by the party Atlas Scraper and Engineering Co. by the building and testing of a full-scale device in the spring of 1952, and prior to the termination of the license agreement, Exhibit 7 (Item B-19).

65.

An interference proceeding No. 88135 in the United States Patent Office was declared between patent application Serial No. 334,578 filed February 2, 1953, in the name of Roy L. Chandler and a patent application Serial No. 323,200 filed November 29, 1952, by the party Harry A. Pursche, and was prosecuted by the party Atlas Scraper and Engineering Co. against the party Harry A. Pursche, which interference proceeding was decided in favor of Chandler and that decision has become final.

66.

Another invention, improvement, modification, or betterment developed by said Roy L. Chandler while in the employ of the party Atlas Scraper and Engineering Co., as an engineer and designer, is the chain type wheel device shown in the Chandler Patent No. 2,773,439, Exhibit 42.

67.

The party Atlas Scraper and Engineering Co. caused United States patent applications to be filed in the name of its employee, Roy L. Chandler, relating to the butterfly tail wheel device, the gear type rollover mechanism and the chain type tail wheel device in an

attempt to circumvent the requirement of the license agreement, Exhibit 7 (Item B-19), and to evade the obligation of assignment of title to the party Harry A. Pursche.

68.

All patent applications filed in the name of Roy L. Chandler or Roy L. Chandler and another were prepared and filed by attorneys for the party Atlas Scraper and Engineering Co.

69.

The party Atlas Scraper and Engineering Co. paid all fees and expenses in connection with the filing and prosecution of each of the applications filed in the name of said Roy L. Chandler or in the name of Roy L. Chandler and another.

70.

No invoices for fees or expenses in connection with filing or prosecuting patent applications in the name of Roy L. Chandler or Roy L. Chandler and another were ever sent to Roy L. Chandler, but on the contrary, all were sent to the party Atlas Scraper and Engineering Co.

71.

The character of the engineering work performed by Roy L. Chandler while in the employment of the party Atlas Scra[illegible] and Engineering Co. was that of engineering, layout, and design and not merely that of a draftsman.

72.

On or about November 1, 1957, the party Atlas Scraper and Engineering Co. entered into a written license agreement with said Roy L. Chandler, Exhibit 43A.

73.

Roy L. Chandler was not represented by counsel, other than counsel for the party Atlas Scraper and Engineering Co., in negotiating the license agreement, Exhibit 43A.

74.

Foreign patent applications were filed by the party Atlas Scraper and Engineering Co. in Great Britain, Canada, and Mexico, corresponding to the United States patent application in the name of Roy L. Chandler, Serial No. 334,578, Exhibit 51.

80.

During the term of the license agreement, Exhibit 7 (Item B-19), the party Atlas Scraper and Engineering Co. concealed from the party Harry A. Pursche development activities of its employee, Roy L. Chandler, in two-way plows.

81.

That the developments made and disclosed in the Chandler application Serial No. 334,578, Exhibit 51; in the Chandler Patent No. 2,773,439, Exhibit 42; in the Chandler Patent No. 2,817,241, and the rollover mechanism as shown in Figure 6 of the Chandler and Ogle Patent No. 2,830,519, Exhibit AR, and the tail wheel shown and described in said patent, were improvements, modifications, and betterments upon the Pursche plows and were made or conceived within the term of the license agreement, Exhibit 7 (Item B-19), and were made within the provisions of said agreement and through the efforts and under the control of the party Atlas Scraper and Engineering Co. and its employee, Roy L. Chandler.

82.

The said improvements, modifications, and betterments of the preceding Finding were made at the cost and expense of the party Atlas Scraper and Engineering Co. by its employees who acted under its direction; and all costs and expenses thereof, including the material which was used in their development, the time which was consumed in their development and all costs in conpection with the reduction to practice of the devices embodying the developments were borne by the party Atlas Scraper and Engineering Co.

83.

The party Atlas Scraper and Engineering Co., in failing and refusing to carry out its obligations under the provisions of Paragraph IX, Exhibit 7 (B-19), with respect to the said improvements, modifications, and betterments as defined in the two preceding Findings of Fact, and in continuing to use and utilize said improvements, modifications, and betterments without compensation to, or without the authority and consent of the party Harry A. Pursche, has competed unfairly with Harry A. Pursche.

84.

The party Atlas Scraper and Engineering Co., prior to the termination date of the license agreement, Exhibit 7 (B-19), held out to the trade and to the purchasing public that the rollover plows which were offered for sale under the agreement, Exhibit 7 (B-19), were the development and invention of Harry A. Pursche.

Trial Court Conclusions of Law.

XXVIII.

This Court has jurisdiction of the claim for unfair competition because it is joined with the related claim under the patent statutes, United States Code, Title 28, Section 1338(b).

XXIX.

The party Atlas Scraper and Engineering Co. acted unfairly in concealing and failing to disclose to the party Harry A. Pursche development activities in two-way plows during the term of the license agreement, Exhibit 7 (Item B-19).

XXX.

The party Atlas Scraper and Engineering Co. acted unfairly in concealing from the party Harry A. Pursche the filing of patent applications in the name of its employee, Roy L. Chandler relating to two-way plow improvements developed during the term of the license agreement, Exhibit 7 (Item B-19).

XXXI.

Roy L. Chandler was employed by the party Atlas Scraper and Engineering Co. as an engineer and designer and improvements developed by him in the course of his employment came within the terms of Paragraph IX of the Pursche-Atlas agreement of April 3, 1948, Exhibit 7 (Item B-19).

XXXII.

Failure of the party Atlas Scraper and Engineering Co. to assign to the party Harry A. Pursche inventions, improvements, modifications and betterments as required by Paragraph IX of the license agreement, Exhibit 7 (Item B-19), and the attempt to evade this requirement by concealing from and failing to disclose to the party Harry A. Pursche the patent applications filed in the name of Roy L. Chandler were in violation of said Paragraph IX and constituted unfair competition as to the party Harry A. Pursche.

XXXIII.

The continued use by the party Atlas Scraper and Engineering Co. of developments of Roy L. Chandler so withheld did and does constitute unfair competition as to the party Harry A. Pursche.

XXXIV.

The acts of the party Atlas Scraper and Engineering Co. in filing patent applications in the name of Roy L. Chandler, and Roy L. Chandler and another on inventions, improvements, modifications or betterments belonging to the party Harry A. Pursche under the license agreement, Exhibit 7 (Item B-19), constituted unfair competition.

XXXV.

The inventions made by Roy L. Chandler during his employment by and under the direction of the party Atlas Scraper and Engineering Co. and at its sole cost and expense, were within the provisions of the

agreement, Exhibit 7 (Item B-19), and in failing and refusing to transfer the said inventions to the party Harry A. Pursche, the party Atlas Scraper and Engineering Co. has competed unfairly with the party Harry A. Pursche.

XXXVI.

The party Atlas Scraper and Engineering Co. having continuously used the developments, improvements and betterments in the gear roll-over mechanism, Exhibit 44, and as shown in Figure 6 of Patent No. 2,830,519, Exhibit AR, subsequent to the terms of the agreement, Exhibit 7 (Item B-19), and in derogation of its obligations under said agreement has competed unfairly with the party Harry A. Pursche.